IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

NFL PROPERTIES LLC, and PITTSBURGH STEELERS LLC, as successor by merger to PITTSBURGH STEELERS SPORTS, INC.,	:	
Plaintiffs,	:	No. 05-0067
v.	:	ELECTRONICALLY FILED
NICHOLAS WOHLFARTH and JENNIFER WOHLFARTH D/B/A TURTLE CREEK SPORTSWEAR,	:	
Defendants.		

MEMORANDUM IN SUPPORT OF PLAINTIFFS' MOTION FOR CONTEMPT AND SANCTIONS

Plaintiffs NFL Properties LLC and Pittsburgh Steelers LLC, as successor by merger to Pittsburgh Steelers Sports, Inc. (collectively the "NFL"), submit this memorandum of law in support of their motion (the "Motion") to hold defendants Nicholas Wohlfarth and Jennifer Wohlfath d/b/a Turtle Creek Sportswear (collectively "Turtle Creek") in civil contempt based on Turtle Creek's repeated violations of the Final Order and Judgment on Consent entered by this Court on October 11, 2005 (the "Final Order").

PRELIMINARY STATEMENT

On October 11, 2005, this Court entered the Final Order prohibiting Turtle Creek from infringing the NFL's exclusive trademark rights in, among other things, "the Pittsburgh Steelers' word marks and hypocycloid diamonds logo design." (Final Order 1-2, attached as Exhibit A to the Declaration of Brian H. Simmons ("Simmons Decl.").) To be absolutely sure there was no question about what Turtle Creek could not do, the Final Order further ordered Turtle Creek to permanently "cease the production and sale of any merchandise" using the "names, logos, uniform designs and colors" that identify the Pittsburgh Steelers and any other NFL teams (the "NFL Marks"). (*Id.* at 2.)

Four weeks ago, the NFL learned that Turtle Creek was violating the Final Order and again making unauthorized use of NFL Marks. These violations include the sale of some of the exact items sold in 2005 that were specifically identified in, and prohibited by, the Final Order. The violations also include the sale of other items that prominently use Pittsburgh Steeler marks and/or other NFL Marks and thus plainly are prohibited by the Final Order.

This is the third time Turtle Creek has violated the terms of the Final Order, the other two instances having followed on the heels of this Court's entry of that Order in late 2005.[1] This recidivist track record evinces a complete and willful disregard of the orders of this Court. A finding of contempt, the disgorgement of Turtle Creek's profits, an award of attorneys' fees and other sanctions are fully supported.

FACTUAL BACKGROUND

On January 21, 2005, the NFL commenced a trademark infringement action against Turtle Creek alleging, among other things, that Turtle Creek violated the NFL's exclusive trademark rights in names, logos, uniform designs and colors used to identify the Pittsburgh Steelers and other teams of the National Football League.

That lawsuit was resolved on October 11, 2005 by entry of the Final Order. In the Final Order, this Court ordered Turtle Creek to, among other things, permanently (a) cease any unauthorized use of the NFL Marks or any confusingly similar variations thereof (including but

1 Shortly after the Final Order was entered, Turtle Creek failed to submit a report detailing its compliance as required by the Final Order, forcing the NFL to move for sanctions and contempt. *See* Simmons Decl. Ex. G. In early 2006, the NFL again was forced to move for sanctions and contempt when Turtle Creek failed to pay the monetary relief required under the Contempt Judgment. *Id.* at Ex. H. This Court granted that motion, imposing a fine of $50 per day on Turtle Creek until the judgment was paid and requiring Turtle Creek to pay the NFL's attorneys' fees in connection with bringing the motion. *Id.* at Ex. I.

not limited to the Pittsburgh Steelers hypocycloid diamonds logo); (b) cease using any other false designation, representation or anything else likely to confuse the public into believing that Turtle Creek's activities are in any way authorized by the NFL; and (c) cease the production and sale of all merchandise that makes unauthorized use of the NFL Marks. *See* Simmons Decl. Ex. A ¶¶ 1-2.

Turtle Creek is in contempt. In November 2010, the NFL learned that Turtle Creek was, once again, manufacturing, distributing and/or selling apparel in clear violation of the Final Order. The NFL sent a letter to Turtle Creek's counsel on November 23, 2010 demanding that Turtle Creek be brought into compliance. *See* Simmons Decl. Ex. B. In response, Turtle Creek stalled the NFL, purportedly on the ground that more information was needed. *See* Simmons Decl. Ex. C. The NFL pointed out that all necessary information already had been provided in the NFL's November 23 letter and demanded that Turtle Creek remedy its violations by December 15, 2010. *See* Simmons Decl. Ex. D.

Turtle Creek did not respond. On December 20, 2010, the NFL sent a letter to Turtle Creek's counsel offering a last chance to resolve the dispute without formal proceedings. *See* Simmons Decl. Ex. E. Turtle Creek did not respond to that letter. Instead, Turtle Creek's counsel emailed the NFL on December 22, 2010 requesting even more time and promising a response by December 24. *See* Simmons Decl. Ex. F. On December 22, 2010, an investigator engaged by the NFL confirmed that unauthorized infringing merchandise bearing the Turtle Creek label was readily available in the Pittsburgh area. *See* Declaration of Jeffrey Klink ("Klink Decl.").

ARGUMENT

A. Turtle Creek Is In Contempt.

Turtle Creek's manufacture, distribution and/or sale of merchandise bearing NFL Marks plainly violates the Final Order and constitutes civil contempt. An updated order directing Turtle Creek to comply with the Final Order, the imposition of a daily fine until compliance is achieved, payment of the NFL's attorneys' fees and disgorgement of Turtle Creek's profits all are appropriate remedies.

1. There Is Clear And Convincing Evidence That Turtle Creek Is In Contempt.

A finding of contempt should be made here because there is clear and convincing evidence "(1) that a valid order of the court existed; (2) that the defendants had knowledge of the order; and (3) that the defendants disobeyed the order." *Marshak v. Treadwell*, 595 F.3d 478, 485 (3d Cir. 2009) (citing *Roe v. Operation Rescue*, 54 F.3d 133, 137 (3d Cir. 1995)). Here, all three elements easily are established: (1) the Final Order entered by this Court on October 11, 2005 constitutes a valid court order; (2) the copy filed in the Court's records was consented to by Turtle Creek through its counsel on October 6, 2005; and (3) the evidence that the Final Order has been violated is beyond dispute.

That evidence consists of the Declaration of investigator and former Assistant U.S. Attorney Jeffrey Klink who, on December 22, 2010, further confirmed what the NFL had recently discovered: that Turtle Creek was again selling unauthorized Pittsburgh Steelers souvenir merchandise, including sweatshirts that were specifically prohibited by the language of and exhibits attached to the Final Order. Mr. Klink personally visited two Shop'n'Save store locations in the greater Pittsburgh area, photographed Turtle Creek branded merchandise and purchased samples of that merchandise. *See* Klink Decl. ¶¶ 2-9. The photographs attached to his Declaration make clear that Turtle Creek is selling sweatshirts and other items that depict the famous Pittsburgh Steelers hypocycloid diamonds logo. *See* Klink Decl. Exs. A, B and C. This conclusively establishes that Turtle Creek is violating the Final Order, which, among other things, expressly prohibits Turtle Creek from using the hypocycloid logo.

That some of the items are sold by Turtle Creek with a small, easily removed disclaimer that they are not affiliated with the NFL (Klink Decl. ¶ 5) does not affect the analysis. The Final Order expressly forbids "any unauthorized use of the NFL Marks" irrespective of consumer confusion; it then goes on to say that the class of forbidden merchandise "includ[es], but [is] not limited to," merchandise likely to cause confusion. *See* Simmons Decl. Ex. A ¶ 1(a). Accordingly, the relevant question is whether Turtle Creek has "violated the unambiguous terms of the consent judgment," not whether its merchandise is likely to cause confusion. *See Harley Davidson, Inc. v. Morris*, 19 F.3d 142, 147 (3d Cir. 1994) (district court's "inquiry into likelihood of confusion was unnecessary" and constituted reversible error). That is especially the case here, where the merchandise includes exact reproductions of the famous hypocycloid diamonds logo, used in a football context, that was enjoined as one of the "NFL Marks" in the Final Order.

Moreover, disclaimers of this kind, not nearly as prominent as the NFL Marks on the merchandise and plainly used in an effort to circumvent the Final Order, does not cure the consumer confusion caused by the use of the NFL Marks. *See, e.g.*, *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 142 (3d Cir. 1991) (likelihood of confusion notwithstanding "disclaimer of affiliation with the trademark owner"); *Chanel, Inc. v. Gordashevsky*, 558 F. Supp. 2d 532, 538 (D.N.J. 2008) ("The fact that Defendant sold goods using marks that were identical to such strong and established marks conclusively demonstrates his desire and purpose to trade upon Chanel's goodwill. The 'disclaimer' on the websites indicating that the goods are replicas and not intended to be represented as originals does not alter this analysis. Rather, it indicates Defendant Coheann's knowledge of Chanel's trademarks and his intent to capitalize on the value of the marks."); *Villanova Univ. v. Villanova Alumni Educ. Foundation, Inc.*, 123 F. Supp. 2d 293, 311 (E.D. Pa. 2000) (disclaimer does not cure likelihood of confusion); SNA, Inc. v. Array, 51 F. Supp. 2d 542, 553 (E.D. Pa. 1999) (same); *cf. A&H Sportswear, Inc. v. Victoria*

Secrets Stores, Inc., 237 F.3d 198, 218-19 (3d Cir. 2000) (use of highly "prominent disclaimer," together with other factors such as the use of house marks and an only "somewhat distinct" trademark, weighed against consumer confusion).

In addition, the record shows that even though the NFL first alerted Turtle Creek's counsel to these violations over four weeks ago, Turtle Creek has never denied that its merchandise violates the Final Order. Rather, it stalled in an obvious attempt to buy as much time as possible so they could distribute this merchandise to the public during the Christmas selling season and the Steelers' run to make the playoffs.

B. Turtle Creek's Violation of the Final Order Justifies The Issuance of An Updated Injunctive Order With Enhanced Compliance Enforcement Provisions.

Given the clear and convincing evidence that Turtle Creek is violating the Final Order, and in light of its recidivist conduct, the Court should issue a new order, with enhanced provisions, to reduce the likelihood of future violations. These enhanced provisions should include: (a) ordering Turtle Creek immediately to comply with the Final Order; (b) amending the Final Order to specifically identify and prohibit the additional merchandise Turtle Creek now is selling; (c) imposing a fine against Turtle Creek of $500 per day, payable to the NFL, for each day that Turtle Creek has been in violation of the Final Order, as well as for each day it continues to be in violation of the new order entered by the Court; (d) ordering Turtle Creek to reimburse the NFL for attorney's fees and costs incurred in bringing this Motion in accordance with, among other things, Paragraph 4 of the Final Order; and (e) ordering Turtle Creek to disgorge its gross profits from all sales of merchandise bearing the NFL Marks since the entry of the Final Order.

A similar remedy was granted by this Court earlier in this litigation. On February 1, 2006, this Court issued an order (the "2006 Order") granting the NFL's second Motion for Contempt and Sanctions against Turtle Creek for Turtle Creek's failure to make the monetary payment required under the Final Order. Simmons Decl. Ex. I. In addition to ordering compliance with the Final Order, this Court provided that a fine of $50 would be imposed on Turtle Creek for each day after March 31, 2006 that passed without payment of the original monetary award. *Id.*

The relief requested here is essentially the same. A fine of $500 per day is more than warranted not only due to the willful nature of Turtle Creek's violation, but because Turtle Creek is now a recidivist infringer. The Court's imposition of a significant daily fine, beginning immediately, will force Turtle Creek to respect, and promptly comply with, the Final Order and, going forward, to comply with the order entered by the Court on this Motion.

An award of attorney's fees and costs also is warranted. Attorneys' fees and costs are expressly provided for under Paragraph 4 of the Final Order, which states that "in the event Plaintiffs commence any proceeding to enforce any provision of this Final Order And Judgment On Consent and the Court finds that a violation has occurred, the Court shall, in addition to any other remedies or sanctions, award Plaintiffs' [sic] their reasonable attorneys' fees and costs." Simmons Decl. Ex. A at 3.[2]

Turtle Creek's willful violation of the Final Order also requires, as an additional sanction, disgorgement of all profits it has received from its infringing activities since the entry of the Final Order. The Third Circuit has made clear that granting "[s]anctions for civil contempt serves two purposes: 'to coerce the defendant into compliance with the court's order and to compensate for the losses sustained by the disobedience.'" *Robin Woods Inc. v. Woods*, 28 F.3d 396, 400 (3d Cir. 1994) (quoting *McDonald's Corp. v. Victory Investments*, 727 F.2d 82, 87 (3d Cir. 1984)). Disgorgement of Turtle Creek's profits would achieve these purposes.

An accounting of profits is an appropriate sanction here, given Turtle Creek's continued violation of the NFL's trademark rights in violation of an order of this Court.

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[2] Attorney's fees and costs generally are available under the Lanham Act in trademark infringement actions. *See* 15 U.S.C. § 1117.

Marshak, 595 F.3d at 495. As the *Marshak* court explained, an accounting of an infringer's profits is available "if the defendant is unjustly enriched, if the plaintiff has sustained damages, or if an accounting is necessary to deter infringement." *Id.* (*citing Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 177-78 (3d Cir. 2005)). The rationales for granting profits are stated disjunctively and, therefore, a plaintiff need not establish actual damages to warrant disgorgement – either of the other two grounds will suffice. *Id.*

Here, disgorgement of profits is necessary to both deter infringement and to prevent Turtle Creek from being unjustly enriched. First, Turtle Creek's repeated and willful disregard of the Final Order shows that only a serious sanction, such as the total disgorgement of all profits, will suffice to prevent further infringement. Following the discovery of Turtle Creek's most recent infringing activities in November of 2010, the NFL promptly notified Turtle Creek it was in violation of the Final Order and demanded it cease its infringing conduct. *See* Simmons Decl. Exs. B, D and E. Turtle Creek still did not take corrective action. Instead, it stalled in a transparent attempt to delay compliance and thereby capitalize off its infringing conduct during the busy holiday shopping period and the Steelers' playoff run. *Id.* at Exs. C and F. That is not the act of a party who respects the authority of this Court or the binding effect of the Final Order. *See Marshak*, 595 F.3d at 496 ("The principles of deterrence would not be served by permitting Marshak and his associates to keep the fruits of their contempt....").

Second, Turtle Creek has been unjustly enriched by its infringing conduct. Turtle Creek's counterfeit Steelers merchandise is sold alongside legitimate, authorized merchandise bearing NFL Marks. Kink Decl. ¶ 9. This is likely to lead consumers to believe Turtle Creek's merchandise also is authorized by the NFL, enabling Turtle Creek to reap the benefits of the goodwill and fame associated with the NFL and the Pittsburgh Steelers. It is also likely to enable Turtle Creek to steal the business of consumers who otherwise would buy legitimate, authorized

Steelers merchandise. That is unjust. *See Marshak*, 595 F.3d at 496 ("[I]t is more equitable" that plaintiff, rather than defendant, "receive the benefits of the infringement....").

CONCLUSION

For the reasons set forth above, and in light of Turtle Creek's willful violation of the Final Order, the NFL respectfully requests that the Court grant its Motion for Contempt and Sanctions.

Respectfully submitted,

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Dated: January 3, 2011